

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Center Point-Urbana Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Carol Engelken	President	2008
Scott Millikin	Vice-President	2007
Mark Boies	Board Member	2009
Tammy Carolan	Board Member	2009
Kelly Bonar	Board Member	2007
Board of Education (After September 2007 Election)		
Carol Engelken	President	2008
Scott Millikin	Vice-President	2011
Mark Boies	Board Member	2009
Tammy Carolan	Board Member	2009
Dan Jones	Board Member	2011
School Officials		
Alan Marshall	Superintendent	2008
Vanessa Raue	District Secretary/Treasurer/ Business Manager	2008

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Center Point-Urbana Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Center Point-Urbana Community School District, Center Point, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Center Point-Urbana Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2009 on our consideration of Center Point-Urbana Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Center Point-Urbana Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for two years ending June 30, 2005 and we audited the financial statements for the two years ending June 30, 2007 (which are not presented herein) and an unqualified opinion was expressed on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Center Point-Urbana Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,361,424 in fiscal 2007 to \$10,767,153 in fiscal 2008, while General Fund expenditures increased from \$9,576,779 in fiscal 2007 to \$10,444,238 in fiscal 2008. This allowed the District's General Fund balance to increase from a deficit \$482,900 in fiscal 2007 to a deficit \$159,985 in fiscal 2008, a 66.87% increase from the prior year.
- The increase in General Fund revenues was mainly attributable to an increase in state and local sources in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Center Point-Urbana Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Center Point-Urbana Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Center Point-Urbana Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Center Point-Urbana Community School District Annual Financial Report

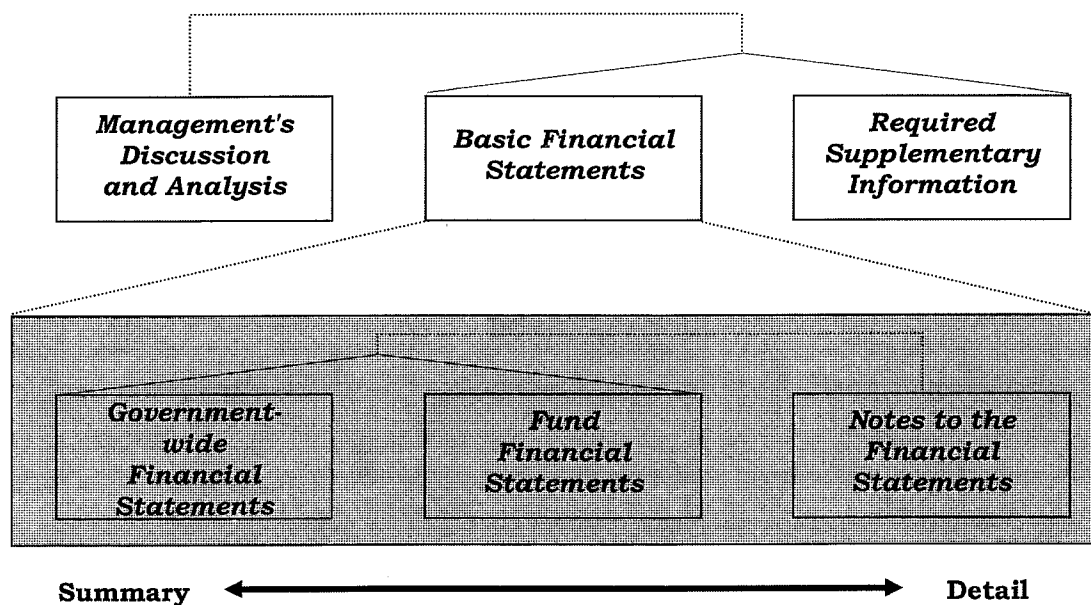


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust fund.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 10,284,328	8,425,591	21,015	52,150	10,305,343	8,477,741	21.56%
Capital assets	8,736,390	8,571,746	33,287	38,102	8,769,677	8,609,848	1.86%
Total assets	19,020,718	16,997,337	54,302	90,252	19,075,020	17,087,589	11.63%
Long-term obligations	7,790,465	8,134,730	0	0	7,790,465	8,134,730	-4.23%
Other liabilities	8,639,480	7,603,476	52,033	96,087	8,691,513	7,699,563	12.88%
Total liabilities	16,429,945	15,738,206	52,033	96,087	16,481,978	15,834,293	4.09%
Net assets:							
Invested in capital assets, net of related debt	1,427,112	1,162,501	33,287	38,102	1,460,399	1,200,603	21.64%
Restricted	1,448,561	564,740	0	0	1,448,561	564,740	156.50%
Unrestricted	(284,900)	(468,110)	(31,018)	(43,937)	(315,918)	(512,047)	38.30%
Total net assets	\$ 2,590,773	1,259,131	2,269	(5,835)	2,593,042	1,253,296	106.90%

The District's combined net assets increased by 106.90%, or \$1,339,746, compared to the prior year. The largest portion of the District's net assets is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$883,821, or 156.50% over the prior year. The increase is mostly the result of increases in fund balance for the Capital Projects Fund and the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$196,129, or 38.30%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 1,275,931	1,004,636	451,554	398,456	1,727,485	1,403,092	23.12%
Operating grants and contributions and restricted interest	1,553,995	1,044,640	165,541	161,810	1,719,536	1,206,450	42.53%
General revenues:							
Property tax	3,359,069	3,372,031	0	0	3,359,069	3,372,031	-0.38%
Local option sales and service tax	964,222	257,485	0	0	964,222	257,485	0.00%
Unrestricted state grants	5,415,623	4,960,189	0	0	5,415,623	4,960,189	9.18%
Other	540,648	568,850	73	1,166	540,721	570,016	-5.14%
Total revenues	13,109,488	11,207,831	617,168	561,432	13,726,656	11,769,263	16.63%
Program expenses:							
Governmental activities:							
Instructional	7,292,273	6,871,183	0	0	7,292,273	6,871,183	6.13%
Support services	3,239,246	2,880,799	7,668	6,166	3,246,914	2,886,965	12.47%
Non-instructional programs	0	0	601,396	560,394	601,396	560,394	7.32%
Other expenses	1,246,327	1,256,637	0	0	1,246,327	1,256,637	-0.82%
Total expenses	11,777,846	11,008,619	609,064	566,560	12,386,910	11,575,179	7.01%
Change in net assets	1,331,642	199,212	8,104	(5,128)	1,339,746	194,084	590.29%
Net assets beginning of year	1,259,131	1,059,919	(5,835)	(707)	1,253,296	1,059,212	18.32%
Net assets end of year	\$ 2,590,773	1,259,131	2,269	(5,835)	2,593,042	1,253,296	106.90%

In fiscal 2008, property tax, local option sales and services tax and unrestricted state grants account for 74.29% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$13.73 million of which \$13.11 million was for governmental activities and approximately \$0.62 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 16.63% increase in revenues and a 7.01% increase in expenses. Unrestricted state grants increased \$455,434 and local option sales and services tax increased \$706,737 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits and programs funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$13,109,488 and expenses were \$11,777,846.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 7,292,273	6,871,183	6.13%	4,865,610	5,190,415	-6.26%
Support services	3,239,246	2,880,799	12.44%	3,234,392	2,877,923	12.39%
Other expenses	1,246,327	1,256,637	-0.82%	847,918	891,005	-4.84%
Totals	<u>\$ 11,777,846</u>	<u>11,008,619</u>	<u>6.99%</u>	<u>8,947,920</u>	<u>8,959,343</u>	<u>-0.13%</u>

- The cost financed by users of the District's programs was \$1,275,931.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,553,995.
- The net cost of governmental activities was financed with \$3,359,069 in property tax, \$964,222 in local option sales and services tax, \$5,415,623 in unrestricted state grants and \$203,592 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$617,168 and expenses were \$609,064. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Center Point-Urbana Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,429,081, above last year's ending fund balances of \$584,508. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to the increase in fund balance for the Capital Projects Fund and the Physical Plant and Equipment Fund Levy.

Governmental Fund Highlights

- The District's improved General Fund financial position is the product of many factors. Growth during the year in state and local source revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The increase in revenues was enough to offset the increase in expenditures; the net result was an increase in fund balance from a deficit \$482,900 in fiscal 2007 to a deficit \$159,985 in fiscal 2008.
- The Capital Projects fund balance overall increased from \$821,221 in fiscal 2007 to \$1,315,322 in fiscal 2008. The increase in fund balance is the result of receiving more in local option sales and services tax as compared to the previous year.

Proprietary Fund Highlights

The Proprietary Funds net assets increased from a deficit balance of \$5,835 at June 30, 2007 to a positive balance of \$2,269 at June 30, 2008, representing an increase of 138.87%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$762,165 more than budgeted revenues, a variance of 5.87%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Initially, total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year ended June 30, 2008, expenditures in the instruction and non-instructional functions exceeded budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$8,769,677, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.86% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$800,285.

The original cost of the District's capital assets was \$18,411,461. Governmental funds account for \$18,337,194 with the remainder of \$74,267 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,071,947 at June 30, 2007, compared to \$0 reported at June 30, 2008. This decrease resulted from completion of construction projects for the middle school additions and renovations project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 408,736	408,736	0	0	408,736	408,736	0.00%
Construction in progress	0	2,071,947	0	0	0	2,071,947	-100.00%
Buildings	7,806,171	5,668,230	0	0	7,806,171	5,668,230	37.72%
Improvements other than buildings	347,662	253,600	0	0	347,662	253,600	37.09%
Machinery and equipment	173,821	169,233	33,287	38,102	207,108	207,335	-0.11%
Total	\$ 8,736,390	8,571,746	33,287	38,102	8,769,677	8,609,848	1.86%

Long-Term Debt

At June 30, 2008, the District had \$7,790,465 in general obligation bonds payable, early retirement and compensated absences outstanding. This represents a decrease of 4.2% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 7,655,000	8,025,000	-4.6%
Early retirement	23,250	0	100.0%
Compensated absences	112,215	109,730	2.3%
Totals	<u>\$ 7,790,465</u>	<u>8,134,730</u>	<u>-4.2%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced increasing enrollment trends over the past couple of decades. This trend is expected to continue with new homes and businesses being built in both the Center Point and Urbana communities.
- The additions and renovations project at the middle school was completed during fiscal 2008. The District is considering the construction of a new high school. If a new high school is to be built, the District will use a revenue bond issue to fund the first phase of construction.
- The District will need to stay abreast of current economic trends as a downturn in the economy could impact future state aid payments as well as Local Option Sales and Services Tax proceeds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kristy Bruce, District Secretary/Treasurer/Business Manager, Center Point-Urbana Community School District, 102 Trader Street, Center Point, Iowa, 52213.

BASIC FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP (Note 5)	\$ 3,783,570	0	3,783,570
Other	2,074,169	19,469	2,093,638
Receivables:			
Property tax:			
Delinquent	26,255	0	26,255
Succeeding year	3,353,257	0	3,353,257
Income surtax	267,164	0	267,164
Interfund	20,000	(20,000)	0
Accounts	42,825	1,448	44,273
Accrued ISCAP interest (Note 5)	22,427	0	22,427
Due from other governments	694,494	39	694,533
Inventories	0	20,059	20,059
Prepaid expenses	167	0	167
Capital assets, net of accumulated depreciation (Note 6)	8,736,390	33,287	8,769,677
Total Assets	19,020,718	54,302	19,075,020
Liabilities			
Accounts payable	289,717	1,817	291,534
Salaries and benefits payable	1,115,499	38,979	1,154,478
ISCAP warrants payable (Note 5)	3,760,000	0	3,760,000
ISCAP accrued interest payable (Note 5)	22,016	0	22,016
ISCAP unamortized premium	47,594	0	47,594
Accrued interest payable	51,397	0	51,397
Deferred revenue:			
Succeeding year property tax	3,353,257	0	3,353,257
Unearned revenue	0	11,237	11,237
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds	375,000	0	375,000
Early retirement	7,750	0	7,750
Compensated absences	112,215	0	112,215
Portion due after one year:			
General obligation bonds	7,280,000	0	7,280,000
Early retirement	15,500	0	15,500
Total Liabilities	16,429,945	52,033	16,481,978
Net Assets			
Invested in capital assets, net of related debt	1,427,112	33,287	1,460,399
Restricted for:			
Talented and gifted	129,770	0	129,770
Salary improvement program	2,604	0	2,604
Additional teacher contract day	69	0	69
Market factor	8,993	0	8,993
Ambassador to education	65,594	0	65,594
Market factor incentives	3,277	0	3,277
Physical plant and equipment levy	140,076	0	140,076
Capital projects	969,600	0	969,600
Debt service	31,375	0	31,375
Other special revenue purposes	97,203	0	97,203
Unrestricted	(284,900)	(31,018)	(315,918)
Total Net Assets	\$ 2,590,773	2,269	2,593,042

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 5,037,879	491,631	1,084,123	(3,462,125)	0	(3,462,125)
Special instruction	1,260,668	323,232	57,261	(880,175)	0	(880,175)
Other instruction	993,726	461,068	9,348	(523,310)	0	(523,310)
	7,292,273	1,275,931	1,150,732	(4,865,610)	0	(4,865,610)
Support services:						
Student services	307,184	0	0	(307,184)	0	(307,184)
Instructional staff services	250,050	0	0	(250,050)	0	(250,050)
Administration services	1,329,259	0	0	(1,329,259)	0	(1,329,259)
Operation and maintenance of plant services	1,003,170	0	0	(1,003,170)	0	(1,003,170)
Transportation services	349,583	0	4,854	(344,729)	0	(344,729)
	3,239,246	0	4,854	(3,234,392)	0	(3,234,392)
Other expenditures:						
Long-term debt interest	319,658	0	0	(319,658)	0	(319,658)
AEA flowthrough	398,409	0	398,409	0	0	0
Depreciation(unallocated)*	528,260	0	0	(528,260)	0	(528,260)
	1,246,327	0	398,409	(847,918)	0	(847,918)
Total governmental activities	11,777,846	1,275,931	1,553,995	(8,947,920)	0	(8,947,920)
Business-Type activities:						
Support services:						
Administration services	7,668	0	0	0	(7,668)	(7,668)
Non-instructional programs:						
Nutrition services	601,396	451,554	165,541	0	15,699	15,699
Total business-type activities	609,064	451,554	165,541	0	8,031	8,031
Total	\$ 12,386,910	1,727,485	1,719,536	(8,947,920)	8,031	(8,939,889)
General Revenues						
Local tax for:						
General purposes				\$ 2,584,812	0	2,584,812
Debt service				590,777	0	590,777
Capital outlay				183,480	0	183,480
Local option sales and services tax				964,222	0	964,222
Unrestricted state grants				5,415,623	0	5,415,623
Unrestricted investment earnings				203,592	73	203,665
Other				337,056	0	337,056
Total general revenues				10,279,562	73	10,279,635
Changes in net assets				1,331,642	8,104	1,339,746
Net assets beginning of year				1,259,131	(5,835)	1,253,296
Net assets end of year				\$ 2,590,773	2,269	2,593,042

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Revenue	Total
Assets				
Cash and pooled investments:				
ISCAP (Note 5)	\$ 3,783,570	0	0	3,783,570
Other	634,799	1,163,048	276,322	2,074,169
Receivables:				
Property tax:				
Delinquent	17,081	0	9,174	26,255
Succeeding year	2,347,188	0	1,006,069	3,353,257
Income surtax	267,164	0	0	267,164
Interfund	0	20,000	0	20,000
Accounts	42,825	0	0	42,825
Accrued ISCAP interest (Note 5)	22,427	0	0	22,427
Due from other governments	455,247	239,247	0	694,494
Prepaid expenses	167	0	0	167
Total Assets	<u>\$ 7,570,468</u>	<u>1,422,295</u>	<u>1,291,565</u>	<u>10,284,328</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 170,992	106,973	11,752	289,717
Salaries and benefits payable	1,115,499	0	0	1,115,499
ISCAP warrants payable (Note 5)	3,760,000	0	0	3,760,000
ISCAP accrued interest payable (Note 5)	22,016	0	0	22,016
ISCAP unamortized premium	47,594	0	0	47,594
Deferred revenue:				
Succeeding year property tax	2,347,188	0	1,006,069	3,353,257
Income surtax	267,164	0	0	267,164
Total liabilities	<u>7,730,453</u>	<u>106,973</u>	<u>1,017,821</u>	<u>8,855,247</u>
Fund balances:				
Reserved for:				
Capital facility construction	0	345,722	0	345,722
Debt service	0	0	31,375	31,375
Talented and gifted	129,770	0	0	129,770
Salary improvement program	2,604	0	0	2,604
Additional teacher contract day	69	0	0	69
Market factor	8,993	0	0	8,993
Ambassador to education	65,594	0	0	65,594
Market factor incentives	3,277	0	0	3,277
Unreserved	(370,292)	969,600	242,369	841,677
Total fund balances	<u>(159,985)</u>	<u>1,315,322</u>	<u>273,744</u>	<u>1,429,081</u>
Total Liabilities and Fund Balances	<u>\$ 7,570,468</u>	<u>1,422,295</u>	<u>1,291,565</u>	<u>10,284,328</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 15) \$ 1,429,081

***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. 8,736,390

Accounts receivable income surtax, are not yet available to finance expenditures of the current period. 267,164

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (51,397)

Long-term liabilities, including general obligation bonds, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (7,790,465)

Net assets of governmental activities (page 13) \$ 2,590,773

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Revenue	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,489,515	964,222	893,912	4,347,649
Tuition	806,991	0	0	806,991
Other	516,036	68,139	440,420	1,024,595
State sources	6,802,555	0	0	6,802,555
Federal sources	152,056	0	0	152,056
Total revenues	10,767,153	1,032,361	1,334,332	13,133,846
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	5,189,594	0	0	5,189,594
Special instruction	1,260,668	0	0	1,260,668
Other instruction	563,211	0	433,606	996,817
	7,013,473	0	433,606	7,447,079
Support services:				
Student services	279,135	0	4,799	283,934
Instructional staff services	250,050	0	0	250,050
Administration services	1,232,487	0	88,502	1,320,989
Operation and maintenance of plant services	934,899	0	80,834	1,015,733
Transportation services	335,785	0	12,179	347,964
	3,032,356	0	186,314	3,218,670
Other expenditures:				
Facilities acquisitions	0	438,260	94,679	532,939
Long-term debt:				
Principal	0	0	370,000	370,000
Interest	0	0	322,176	322,176
AEA flowthrough	398,409	0	0	398,409
	398,409	438,260	786,855	1,623,524
Total expenditures	10,444,238	438,260	1,406,775	12,289,273
Excess(Deficiency) of revenues over(under) expenditures	322,915	594,101	(72,443)	844,573
Other financing sources(uses):				
Transfers in	0	0	101,000	101,000
Transfers out	0	(100,000)	(1,000)	(101,000)
Total other financing sources(uses)	0	(100,000)	100,000	0
Net change in fund balances	322,915	494,101	27,557	844,573
Fund balances beginning of year	(482,900)	821,221	246,187	584,508
Fund balances end of year	\$ (159,985)	1,315,322	273,744	1,429,081

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 844,573

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on asset disposal are as follows:

Capital outlays	\$ 965,714	
Depreciation expense	(795,470)	
Loss on asset disposal	<u>(5,600)</u>	164,644

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Repaid		370,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,518

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

(24,358)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	\$ (2,485)	
Early retirement	<u>(23,250)</u>	<u>(25,735)</u>

Changes in net assets of governmental activities (page 14) \$ 1,331,642

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 19,469
Due from other governments	39
Accounts receivable	1,448
Inventories	20,059
Capital assets, net of accumulated depreciation(Note 6)	<u>33,287</u>
Total assets	<u>74,302</u>
Liabilities	
Interfund payable	20,000
Accounts payable	1,817
Salaries and benefits payable	38,979
Unearned revenue	<u>11,237</u>
Total Liabilities	<u>72,033</u>
Net Assets	
Invested in capital assets	33,287
Unrestricted	<u>(31,018)</u>
Total Net Assets	<u><u>\$ 2,269</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 451,554
OPERATING EXPENSES:	
Support services:	
Administration services:	
Salaries	5,840
Benefits	828
Services	1,000
Total support services	<u>7,668</u>
Non-instructional programs:	
Food service operations:	
Salaries	204,900
Benefits	44,914
Services	8,448
Supplies	338,035
Other	284
Depreciation	4,815
Total non-instructional programs	<u>601,396</u>
TOTAL OPERATING EXPENSES	<u>609,064</u>
OPERATING LOSS	<u>(157,510)</u>
NON-OPERATING REVENUES:	
State sources	7,092
Federal sources	158,449
Interest income	73
TOTAL NON-OPERATING REVENUES	<u>165,614</u>
Change in net assets	8,104
Net assets beginning of year	<u>(5,835)</u>
Net assets end of year	<u>\$ 2,269</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 450,692
Cash received from miscellaneous	1,733
Cash payments to employees for services	(254,712)
Cash payments to suppliers for goods or services	(309,423)
Net cash used in operating activities	<u>(111,710)</u>
Cash flows from non-capital financing activities:	
Interfund loan repayments	(29,400)
State grants received	7,092
Federal grants received	118,876
Net cash provided by non-capital financing activities	<u>96,568</u>
Cash flows from investing activities:	
Interest on investments	<u>73</u>
Net decrease in cash and cash equivalents	(15,069)
Cash and cash equivalents at beginning of year	<u>34,538</u>
Cash and cash equivalents at end of year	<u>\$ 19,469</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (157,510)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	39,534
Depreciation	4,815
Increase in inventories	(2,937)
Increase in accounts receivable	(958)
Increase in accounts payable	1,747
Increase in salaries and benefits payable	1,770
Increase in unearned revenue	1,829
Net cash used in operating activities	<u>\$ (111,710)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 19,469</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received
Federal commodities valued at \$39,534.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 24,664</u>
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>\$ 24,664</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Interest	<u>\$ 718</u>
Deductions:	
Other enterprise operations	<u>65</u>
Change in net assets	653
Net assets beginning of year	<u>24,011</u>
Net assets end of year	<u>\$ 24,664</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Center Point-Urbana Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Center Point and Urbana, Iowa, and the predominate agricultural territory in Linn and Benton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Center Point-Urbana Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Center Point-Urbana Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn and Benton Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction and non-instructional functions exceeded the budgeted amounts.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,908,798</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	School Nutrition	<u>\$ 20,000</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 1,000
Debt Service	Capital Projects	100,000
		<u>\$ 101,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments		Accrued	
				Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/26/07	1/28/08	\$ 1,436,597	21,538	1,432,000	21,332
2008-09A	6/26/08	6/25/09	2,346,973	889	2,328,000	684
Total			<u>\$ 3,783,570</u>	<u>22,427</u>	<u>3,760,000</u>	<u>22,016</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is the following:

Series	Balance		Balance	
	Beginning of Year	Advances Received	Advances Repaid	End of Year
2007-08A	\$ 0	2,700,000	2,700,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.000%	5.455%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 408,736	0	0	408,736
Construction in progress	2,071,947	656,920	2,728,867	0
Total capital assets not being depreciated	2,480,683	656,920	2,728,867	408,736
Capital assets being depreciated:				
Buildings	13,420,255	2,632,329	11,900	16,040,684
Land improvements	710,978	127,934	0	838,912
Machinery and equipment	896,369	277,398	124,905	1,048,862
Total capital assets being depreciated	15,027,602	3,037,661	136,805	17,928,458
Less accumulated depreciation for:				
Buildings	7,752,025	494,388	11,900	8,234,513
Land improvements	457,378	33,872	0	491,250
Machinery and equipment	727,136	267,210	119,305	875,041
Total accumulated depreciation	8,936,539	795,470	131,205	9,600,804
Total capital assets being depreciated, net	6,091,063	2,242,191	5,600	8,327,654
Governmental activities capital assets, net	\$ 8,571,746	2,899,111	2,734,467	8,736,390

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 74,267	0	0	74,267
Less accumulated depreciation	36,165	4,815	0	40,980
Business-type activities capital assets, net	\$ 38,102	(4,815)	0	33,287

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 487
Other	3,588
Support services:	
Administration	9,400
Operation and maintenance	2,256
Transportation	251,479
Unallocated depreciation	267,210
Total governmental activities depreciation expense	\$ 795,470
Business-type activities:	
Food services	\$ 4,815

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 8,025,000	0	370,000	7,655,000	375,000
Early Retirement	0	23,250	0	23,250	7,750
Compensated Absences	109,730	112,215	109,730	112,215	112,215
Total	\$ 8,134,730	135,465	479,730	7,790,465	494,965

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue June 1, 2006			Bond Issue March 1, 2006		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2009	4.00 % \$	60,000	118,375	3.30 % \$	315,000	120,510
2010	4.25	65,000	115,975	3.30-3.35	325,000	110,033
2011	4.25	65,000	113,212	3.35-3.40	340,000	99,018
2012	4.25	25,000	110,450	3.40-3.45	350,000	87,415
2013	4.25	25,000	109,388	3.45-3.50	365,000	75,297
2014	4.25	25,000	108,312	3.50-3.55	375,000	62,341
2015	4.25	25,000	107,238	3.55-3.60	390,000	48,707
2016	4.25	25,000	106,200	3.60-3.65	405,000	34,430
2017-2021	4.15-4.30	425,000	496,500	3.70-3.80	620,000	24,985
2022-2026	4.25-4.30	2,035,000	298,175		-	-
		\$ 2,775,000	1,683,825		\$ 3,485,000	662,736

Year Ending June 30,	Bond Issue May 1, 2002			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2009	4.90 % \$	-	69,500	\$ 375,000	308,385
2010	4.90	-	69,500	390,000	295,508
2011	4.90	-	69,500	405,000	281,730
2012	4.90	-	69,500	375,000	267,365
2013	4.90	-	69,500	390,000	254,185
2014	4.90	-	69,500	400,000	240,153
2015	4.90	-	69,500	415,000	225,445
2016	4.90	-	69,500	430,000	210,130
2017-2021	4.90-5.00	1,045,000	287,850	2,090,000	809,335
2022-2026	5.00	350,000	17,500	2,385,000	315,675
		\$ 1,395,000	861,350	\$ 7,655,000	3,207,911

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$410,075, \$354,616, and \$300,998 respectively, equal to the required contributions for each year.

(9) Risk Management

Center Point-Urbana Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$398,409 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The District has a deficit unreserved fund balance in the General Fund of \$370,292. The School Nutrition Fund has deficit unrestricted net assets of \$31,018. The District also had a deficit unrestricted net assets balance in the governmental activities of \$284,900.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the instruction and non-instructional functions exceeded the budgeted amounts.

REQUIRED SUPPLEMENTARY INFORMATION

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 6,179,235	451,627	6,630,862	6,089,952	6,089,952	540,910
State sources	6,802,555	7,092	6,809,647	6,506,897	6,506,897	302,750
Federal sources	152,056	158,449	310,505	392,000	392,000	(81,495)
Total revenues	13,133,846	617,168	13,751,014	12,988,849	12,988,849	762,165
Expenditures:						
Instruction	7,447,079	0	7,447,079	7,355,751	7,355,751	(91,328)
Support services	3,218,670	7,668	3,226,338	4,120,565	4,120,565	894,227
Non-instructional programs	0	601,396	601,396	550,503	550,503	(50,893)
Other expenditures	1,623,524	0	1,623,524	2,389,903	2,389,903	766,379
Total expenditures	12,289,273	609,064	12,898,337	14,416,722	14,416,722	1,518,385
Excess(Deficiency) of revenues over(under)expenditures	844,573	8,104	852,677	(1,427,873)	(1,427,873)	2,280,550
Other financing sources, net	0	0	0	108,400	108,400	(108,400)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	844,573	8,104	852,677	(1,319,473)	(1,319,473)	2,172,150
Balances beginning of year	584,508	(5,835)	578,673	193,446	193,446	385,227
Balances end of year	\$ 1,429,081	2,269	1,431,350	(1,126,027)	(1,126,027)	2,557,377

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the instruction and non-instructional functions exceeded the budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
Assets						
Cash and pooled investments	\$ 4,138	105,588	141,495	251,221	25,101	276,322
Receivables:						
Property tax:						
Current year delinquent	952	0	1,948	2,900	6,274	9,174
Succeeding year	222,458	0	198,266	420,724	585,345	1,006,069
Total assets	\$ 227,548	105,588	341,709	674,845	616,720	1,291,565
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 0	8,385	3,367	11,752	0	11,752
Deferred revenue:						
Succeeding year property tax	222,458	0	198,266	420,724	585,345	1,006,069
Total liabilities	222,458	8,385	201,633	432,476	585,345	1,017,821
Unreserved fund balances	5,090	97,203	140,076	242,369	31,375	273,744
Total liabilities and fund balances	\$ 227,548	105,588	341,709	674,845	616,720	1,291,565

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 119,655	0	183,480	303,135	590,777	893,912
Other	16,980	402,236	21,154	440,370	50	440,420
TOTAL REVENUES	136,635	402,236	204,634	743,505	590,827	1,334,332
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	433,606	0	433,606	0	433,606
Support services:						
Student services	0	4,799	0	4,799	0	4,799
Administration services	88,363	139	0	88,502	0	88,502
Operation and maintenance of plant services	58,582	0	22,252	80,834	0	80,834
Student transportation	12,179	0	0	12,179	0	12,179
Other expenditures:						
Facilities acquisitions	0	0	94,679	94,679	0	94,679
Long-term debt:						
Principal	0	0	0	0	370,000	370,000
Interest and fiscal charges	0	0	0	0	322,176	322,176
TOTAL EXPENDITURES	159,124	438,544	116,931	714,599	692,176	1,406,775
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(22,489)	(36,308)	87,703	28,906	(101,349)	(72,443)
OTHER FINANCING SOURCES(USES):						
Transfer in	0	0	0	0	101,000	101,000
Transfer out	0	0	(1,000)	(1,000)	0	(1,000)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(1,000)	(1,000)	101,000	100,000
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES(USES)	(22,489)	(36,308)	86,703	27,906	(349)	27,557
FUND BALANCES BEGINNING OF YEAR	27,579	133,511	53,373	214,463	31,724	246,187
FUND BALANCES END OF YEAR	\$ 5,090	97,203	140,076	242,369	31,375	273,744

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 4,620	1,038	513	5,145
Speech	0	2,756	3,529	(773)
Middle school yearbook	17,615	17,233	22,543	12,305
General athletics	100	4,014	8,037	(3,923)
Wellness	1,594	12,534	4,799	9,329
HS band/jazz band	0	0	1,348	(1,348)
HS musical	0	1,369	3,843	(2,474)
HS computer lab	768	658	770	656
Storm troopers	1,617	7,959	5,589	3,987
Show choir	8,211	10,699	12,198	6,712
Cross country	0	1,426	1,593	(167)
Golf	0	1,012	1,830	(818)
Boys basketball	(197)	13,243	16,009	(2,963)
Football	1,121	17,580	20,715	(2,014)
Boys soccer	0	2,983	3,296	(313)
Boys baseball	674	6,212	10,486	(3,600)
Boys track	31	7,683	6,840	874
Boys wrestling	1,198	6,570	5,815	1,953
Girls basketball	1,354	8,746	9,335	765
Volleyball	1,829	5,323	7,501	(349)
Girls soccer	0	2,042	2,564	(522)
Softball	3,567	9,110	15,543	(2,866)
Girls track	0	5,036	4,992	44
Elementary pop	(136)	0	(136)	0
FCCLA	968	5,420	5,337	1,051
HS pop	(45)	5,638	3,361	2,232
Senior science trip	341	9,275	9,293	323
Home economics	323	1,852	1,833	342
Model UN	1,212	720	1,196	736
National honor society	125	126	0	251
Student council	5,951	14,185	15,580	4,556
Spanish club	3,155	5,100	8,048	207
MS pop	938	0	938	0
Drill team	2,063	9,184	8,543	2,704
Pep club	(458)	2,422	2,324	(360)
MS choir	4,395	5,855	7,058	3,192
MS band	49	1,586	(1,629)	3,264
Cheerleaders	4,689	7,045	8,170	3,564
Senior class trip	3,229	4,464	0	7,693
Childrens theatre	2,547	446	33	2,960
Class of 2007	1,108	0	1,108	0
Class of 2008	3,496	75	5,560	(1,989)
Class of 2009	0	16,855	13,177	3,678
Class of 2010	(5)	84	47	32
Class of 2011	0	0	21	(21)
HS band/jazz band	3,501	11,227	19,512	(4,784)
CPU music parents	18,629	70,352	62,699	26,282
Booster club	33,334	85,099	96,783	21,650
Total	\$ 133,511	402,236	438,544	97,203

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

Modified Accrual Basis					
Years Ended June 30,					
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 4,347,649	3,575,835	3,234,742	3,168,824	2,767,200
Tuition	806,991	706,255	799,047	648,293	518,066
Other	1,024,595	756,948	549,533	495,114	523,710
State sources	6,802,555	5,818,628	5,249,603	4,788,783	4,563,957
Federal sources	152,056	157,791	236,046	194,351	300,718
Total	<u>\$ 13,133,846</u>	<u>11,015,457</u>	<u>10,068,971</u>	<u>9,295,365</u>	<u>8,673,651</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 5,189,594	4,712,334	4,307,045	4,094,228	3,592,606
Special instruction	1,260,668	1,185,672	1,214,103	1,247,292	1,022,362
Other instruction	996,817	899,698	775,325	726,625	725,111
Support services:					
Student services	283,934	279,601	261,587	227,799	238,722
Instructional staff services	250,050	195,609	181,220	178,849	130,564
Administration services	1,320,989	1,178,454	1,286,724	1,038,110	819,307
Operation and maintenance of plant services	1,015,733	891,442	904,531	858,577	749,813
Transportation services	347,964	442,407	353,667	424,126	298,354
Other expenditures:					
Facilities acquisitions	532,939	2,449,914	156,450	94,194	1,500,511
Long-term debt:					
Principal	370,000	405,000	365,000	395,007	270,000
Interest	322,176	349,251	272,930	271,256	293,367
AEA flow-through	398,409	365,632	325,981	304,335	297,732
Total	<u>\$ 12,289,273</u>	<u>13,355,014</u>	<u>10,404,563</u>	<u>9,860,398</u>	<u>9,938,449</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Center Point -Urbana Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Center Point - Urbana Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Center Point-Urbana Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Center Point-Urbana Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Center Point-Urbana Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Center Point-Urbana Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Center Point-Urbana Community School District's financial statements that is more than inconsequential will not be prevented or detected by Center Point-Urbana Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Center Point-Urbana Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Center Point-Urbana Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Center Point-Urbana Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Center Point-Urbana Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Center Point-Urbana Community School District and other parties to whom Center Point-Urbana Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Center Point-Urbana Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2009

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion - Response accepted.

I-B-08 Capital Asset Policy - We noted during our audit that the District had not implemented a capital asset policy that states the capitalization thresholds to be used for the accounting of the capital assets.

Recommendation - The District should review the policies in place and update the necessary capital asset policies.

Response - We will review various options and adopt a Capital Asset Policy.

Conclusion - Response acknowledged. District has replied the previous two years that a capital asset policy would be adopted; however a policy has not yet been adopted. The Board should adopt a Capital Asset Policy.

I-C-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - We are in the process of reviewing and changing this process.

Conclusion - Response acknowledged. District has replied the previous two years that they would comply with Department of Labor requirements; however the District has not implemented changes in their procedures.

I-D-08 Sponsor Procedures - We noted during our audit that sponsors are not turning in collected receipts to the administration office for deposit in a timely manner. The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The maintenance of the undeposited funds by the sponsor provides a risk of loss due to possible theft, improper use, as well as lack of reporting of the funds. We also noted that when collected receipts are finally turned in by sponsors, District employees are not always issuing a receipt to the sponsor.

Recommendation - The possible impropriety of revenues and expenditures is undeterminable without records to document the transactions of posting of receipts and expenditures. The District should take necessary steps to require all individuals to turn in collected money timely.

The District's internal control could be improved by issuing receipts to sponsors when funds are turned in and counted. Any discrepancies can be investigated and resolved at that time.

Response - The District will review procedures with sponsors and continue to work towards the goal of achieving better accountability for sponsors.

Conclusion - Response accepted.

I-E-08 Deposit Slips - We noted during our audit that deposit slips prepared by District staff did not include detail listing of checks and cash that made up deposits. Without detail on deposit slips, deposits made were difficult to reconcile back to the receipts.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipt numbers included on that deposit. The identification of the receipts to the deposit slip aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are being deposited.

Response - The District will review procedures with personnel and work towards correcting the problem.

Conclusion - Response accepted.

I-F-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will develop a process to review all checks that have been outstanding for over a year.

Conclusion - Response accepted.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - During the year ended June 30, 2008, expenditures in the instruction and non-instructional functions exceeded the budgeted amounts.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will monitor the budget more closely in the future and amend when necessary.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Beth Seltrecht, Lunch Clerk Spouse owns Seltrecht Excavating	Purchased services	\$21,356
William Wright, Bus Driver Partial owner of Wrightway Sales & Associates	Purchased services	\$1,613
Shawn Havener, Art Teacher Owner of Southern Winds Studio	Purchased services	\$331

In accordance with Attorney General's Opinion dated November 9, 1976, the above transaction with the employee's spouse doesn't appear to present a conflict of interest.

In accordance with Attorney General's Opinion dated July 2, 1990, the above transactions with the bus driver or the art teacher do not appear to present a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-08 Financial Condition - The District has a deficit unreserved fund balance in the General Fund of \$370,292. The School Nutrition Fund has deficit unrestricted net assets of \$31,018. The District had a deficit unrestricted net assets balance in the governmental activities of \$284,900. The District also has several Activity Fund accounts with deficit balances.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District will continue to take steps to return negative accounts to a positive balance.

Conclusion - Response accepted.